

SLND-GUARANTOR BULLETIN

#1-07

March 13, 2007

1. Common Manual Updates

Batch 135, 136 and 137 *Common Manual* policy changes include the topics of:

NSLDS Ad Hoc Reporting
Guarantor Review of Exceptional Performer Claims
Lender Disbursement through an Escrow Agent
Bankruptcy Claims and Lenders Designated as Exceptional Performers
False Certification Claim Purchase Time Frame
Stafford Undergraduate Annual and Aggregate Loan Limits
Deferment Eligibility
Delinquency Period and the Definition of Default
FSA Administration Training Requirement
eZ-Audit Requirement
Closed School and the Transfer of Academic Credits or Clock Hours
Waiver for Rehabilitation of Defaulted Loans
Variable Interest Rate Consolidation Loans

2. ED Extends Pilot of CRI Process

NCHELP has received a letter from the Department of Education announcing that they have extended the pilot of the Common Review Initiative (CRI) process through December 31, 2007. ED states that observations of the pilot indicate that the CRI process has led to better standardization, an improved quality of lender reviews and reduced redundancy.

3. Poverty Guidelines for 2007

The 2007 Poverty Guidelines for the 48 contiguous states and the District of Columbia are:

- for a family of two - \$13,690
- for a family of two - \$17,120 – Alaska
- for a family of two – 15,750 - Hawaii



Policy Changes Approved

Batch 137: Proposals 919 - 923

Batch 136: Proposals 912 – 918

Batch 135: Proposal 909

The nation's guarantors provide the following summaries to inform schools, lenders, and servicers of the latest *Common Manual* policy changes. These changes will appear in the manual's next annual update. These changes will also be incorporated into the *Integrated Common Manual*. The *Integrated Common Manual* is available on several guarantor websites, and it is also available on Common Manual's website at www.commonmanual.org. Please carefully note the effective date of each policy change.

NSLDS Ad Hoc Reporting

The *Common Manual* has been updated to include information regarding the National Student Loan Data System (NSLDS) ad hoc reporting. In addition to submitting regular reports to the NSLDS, a school is required to report enrollment status changes that affect the grace period, repayment responsibility, or deferment privileges of a borrower. An ad hoc report must be submitted within 30 days unless the school expects to submit a Submittal File within the next 60 days. Revised policy also provides ad hoc reporting methods the school may use.

A school (or its designated servicer) must respond to all requests for borrower information from guarantors and lenders for information about recipients of Title IV loan funds—including information needed to locate the borrower, to determine the borrower's eligibility for deferment, or to establish the borrower's repayment schedule.

In addition, subsection 9.2.B has been renamed "Ad Hoc Reporting" and a new subsection 9.2.C "Information Sharing with the Department, a Lender, or a Guarantor" has been added.

Affected Sections:	9.2 Student Enrollment Status Reporting 9.2.B Reporting Student Enrollment Changes to the Lender or Guarantor
Effective Date:	Enrollment status changes reported by a school on or after March 1, 1997.
Basis:	§682.610(c)(2); <i>Dear Colleague Letters</i> GEN-96-17 and GEN-96-L-189; October 2005 <i>NSLDS Enrollment Reporting Guide</i> , Chapter 3, Section 3.3.
Policy Information:	909/Batch 135
Guarantor Comments:	None.

Guarantor Review of Exceptional Performer Claims

The *Common Manual* has been revised to state that a guarantor may not return a claim due to errors in repayment conversion, due diligence, or timely filing to a lender or lender servicer designated as an exceptional performer. However, if the lender is unable to provide a complete claim or if the loan is otherwise ineligible for claim payment (such as due to a previous, unresolved loss of loan guarantee) the guarantor must return the claim file despite the lender's or servicer's exceptional performer designation.

Affected Section:	13.2 Claim Returns
Effective Date:	Claims filed by exceptional performer lenders and lender servicers on or after March 2004.
Basis:	§682.415(b)(5)(i) and (ii); <i>Dear Colleague Letter</i> FP-04-04, Q1.17/A1.17, Q1.22/A1.22, and Q1.24/A1.24.
Policy Information:	912/Batch 136
Guarantor Comments:	None.

Lender Disbursement through an Escrow Agent

The *Common Manual* has been revised to reflect statutory changes derived from the HERA requiring a lender that disburses loan proceeds through an escrow agent to make funds available to the escrow agent no earlier than 10 days prior to the date of the scheduled disbursement.

Affected Section: 7.7 Disbursing the Loan
Effective Date: Loan proceeds paid by a lender to an escrow agent on or after July 1, 2006.
Basis: Higher Education Act of 1965, section 428(i)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; *Dear Colleague Letter* GEN-06-02/FP-06-01.
Policy Information: 913/Batch 136
Guarantor Comments: None.

Bankruptcy Claims and Lenders Designated as Exceptional Performers

The *Common Manual* has been revised to state that bankruptcy claims filed by a lender designated as an exceptional performer are subject to review for the lender's compliance with standard bankruptcy policies and requirements. The lender's failure to comply with those requirements may result in the guarantor's return of the bankruptcy claim to the lender, or, if the claim has been purchased, the lender's repurchase of the loan(s).

Affected Section: 13.1.A Claim Filing Requirements
13.5 Claim Repurchase
Effective Date: Bankruptcy notifications received by the lender or after July 1, 2007, unless implemented earlier by the guarantor.
Basis: 34 CFR 682.402(f)(4); FP-04-04, Q1.17/A1.17 and Q1.22/A1.22; Private letter guidance issued by the Department on March 28, 2006.
Policy Information: 914/Batch 136
Guarantor Comments: None.

False Certification Claim Purchase Time Frame

Common policy language for the false certification claim payment time frame has been revised in section 13.3 to be more consistent with the language in subsection 13.8.D. The guarantor has 30 days from the date the guarantor approves the loan discharge application to pay the false certification claim. Language in both subsections has been revised to acknowledge that the loan may be determined to be dischargeable under several circumstances, including the guarantor's approval of a borrower's loan discharge application, the guarantor's own discharge determination, and the guarantor's receipt of notification from the Department that the borrower is eligible for the loan discharge.

Affected Section: 13.3 Claim Purchase or Discharge Payment
13.8.D False Certification by the School
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: §682.402(e)(7)(ii).
Policy Information: 915/Batch 136
Guarantor Comments: None.

Stafford Undergraduate Annual and Aggregate Loan Limits

The *Common Manual* has been revised to clarify the content of Figure 6-4 by changing the title to "Stafford Undergraduate Annual and Aggregate Loan Limits." In addition, the numerator in Proportional Proration Calculation #2 (for prorating loan eligibility in a program of study that is less than one academic year in length) has been corrected to specify "number of weeks enrolled in program" divided by "number of weeks in academic year."

Affected Section: Figure 6-4 Stafford Annual Loan Limits
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: 34 CFR 682.204(a)(1)(iii) and (d)(1)(iii); 2006-2007 *Federal Student Aid Handbook*, Volume 3, Chapter 4, page 3-80.
Policy Information: 916/Batch 136
Guarantor Comments: None.

Deferment Eligibility

The *Common Manual* has been revised to state consistently that a deferment is *available to* a borrower who is experiencing conditions that qualify the borrower for the deferment, thereby emphasizing that deferment is an entitlement for an eligible borrower.

Affected Section:	11.2 ACTION Program Deferment
	11.3 Armed Forces Deferment
	11.4 Economic Hardship Deferment
	11.6 In-School Deferment and Summer Bridge
	11.7 Internship/Residency Deferment
	11.8 Military Deferment
	11.9 National Oceanic and Atmospheric Administration Corps Deferment
	11.10 Parental Leave Deferment
	11.11 Peace Corps Deferment
	11.12 Public Health Service Deferment
	11.14 Tax-Exempt Organization Volunteer Deferment
	11.15 Teacher Shortage Area or Targeted Teacher Deferment
	11.18 Working Mother Deferment
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.210(a)(1)(i).
Policy Information:	917/Batch 136
Guarantor Comments:	None.

Delinquency Period and the Definition of Default

Appendix G of the *Common Manual* has been revised to align the definition of default with current manual policy in section 13.6 and federal guidance in §682.200(b) and Appendix D to 34 CFR Part 682. The reference to 270 “consecutive” days has been removed, and the manual glossary now defines default as the failure of a borrower (or endorser or comaker, if any) to make installment payments when due, provided that this failure persists for a period of 270 days for a loan repayable in monthly installments.

Affected Section:	appendix G
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.200(b); Appendix D to 34 CFR Part 682, Introduction, C. <i>Due Diligence</i> .
Policy Information:	918/Batch 136
Guarantor Comments:	None.

FSA Administration Training Requirement

The *Common Manual* has been revised to include information on the Fundamentals of Title IV Administration Training Workshop offered by the Department. A school must send at least two representatives, including both its president or chief executive officer (CEO) and the financial aid administrator (FAA). Also, if a school changes ownership, structure, or governance, its representatives must attend the training. The training must be completed up to 12 months prior to but no later than 12 months after the school executes its Program Participation Agreement (PPA) or experiences a change in ownership, structure, or governance.

The CEO may designate another school executive-level officer to attend the training in lieu of the CEO. However, the attending FAA must be the person designated by the school to be responsible for administering the Title IV programs at the school. If the school uses a consultant to administer the Title IV programs, the consultant must attend the training as the school's FAA. However, the Department strongly recommends that a financial aid employee from the school attend the training along with the consultant.

The school may request from the Department a waiver of the training requirement for the FAA and/or the CEO. The Department may grant or deny the waiver for the required individual, require another official to take the training, or require alternative training.

Affected Sections: 4.2.B Financial Aid Administrator
Effective Date: Retroactive to the implementation of the Common Manual.
Basis: 34 CFR 668.13(a)(2) and (3); 1995-1996 *Federal Student Financial Aid Handbook*, Chapter 3, page 3-168.
Policy Information: 919/Batch 137
Guarantor Comments: None.

eZ-Audit Requirement

The *Common Manual* has been revised to include the requirement for schools participating in a Title IV program to submit audited financial statements and compliance audits to the Department electronically through eZ-Audit. <http://ezaudit.ed.gov>. Non-profit and public schools must submit a copy of the A-133 report in writing to the Federal Audit Clearinghouse, in addition to submitting the A-133 to the Department through eZ-Audit.

Affected Section: 4.3.A General School Financial Responsibility Requirements
Effective Date: Audited financial statements and compliance audits submitted by a school on or after June 16, 2003.
Basis: 2003-2004 *Federal Student Aid Handbook*, Volume 2, Chapter 11, page 2-334; 2006-2007 *Federal Student Aid Handbook*, Volume 2, chapter 12, p. 2-214.
Policy Information: 920/Batch 137
Guarantor Comments: None.

Closed School and the Transfer of Academic Credits or Clock Hours

The *Common Manual* has been revised to include the statement that a borrower who transfers to another school all or a portion of the academic credits or clock hours earned at the closed school is not eligible for closed school loan discharge. Previous policy did not specifically state that the borrower is ineligible for discharge if he or she transfers only a portion of the previously earned academic credits or clock hours.

Affected Section: 13.8.B Closed School
Effective Date: Retroactive to the implementation of the Common Manual.
Basis: Preamble to final rules, *Federal Register* dated April 29, 1994, page 22466, discussion point number 20.
Policy Information: 921/Batch 137
Guarantor Comments: None.

Waiver for Rehabilitation of Defaulted Loans

Policy in section H.4, Statutory and Regulatory Waivers, item #20, is revised by updating the rehabilitation agreement requirements to reflect that a borrower must make nine payments received by the holder within 20 days of the due date during 10 consecutive months.

Affected Section: appendix H.4
Effective Date: Loan rehabilitation waivers granted on or after July 1, 2006.
A guarantor has the option of considering a borrower to have met the new rehabilitation standard if at least one of the borrower's payments under the rehabilitation agreement is made on or after July 1, 2006.
Basis: Higher Education Act of 1965, Section 428F(a)(1)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; 34 CFR 682.405; *Dear Colleague Letter* GEN-06-02.
Policy Information: 922/Batch 137
Guarantor Comments: None.

Variable Interest Rate Consolidation Loans

The *Common Manual* has been updated by removing text in section 15.2 pertaining to Consolidation loan interest rates for applications received by the lender between November 13, 1997, and September 30, 1998, inclusive. This information appears in appendix H of the manual for historical purposes.

Affected Section:	15.2 Borrower Eligibility and Underlying Loan Holder Requirements
Effective Date:	Upon approval by the Governing Board
Basis:	None.
Policy Information:	923/Batch 137
Guarantor Comments:	None.